

Message Text

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44

ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 /084 W
----- 089715

R 071022Z APR 76

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 4162

INFO AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY DOHA

AMEMBASSY AMMAN

AMEMBASSY DAMASCUS

AMEMBASSY TEL AVIV

C O N F I D E N T I A L ABU DHABI 0899

E.O. 11652: GDS

TAGS : EAID, TC, EG

SUBJECT : ARAB FUND FOR EGYPT

1. DURING CALL ON MUHAMMAD HABROUSH APRIL 7 I QUERIED HIM ABOUT PENINSULA STATES MEETINGS, AT WHICH HE REPRESENTED UAE, TO DISCUSS LONG-TERM ASSISTANCE FOR EGYPT.

2. HABROUSH SAID GROUP HAD DECIDED TO ESTABLISH 2 BILLION DOLLAR FUND TO SUPPORT EGYPT'S NEW 5-YEAR DEVELOPMENT PLAN. MONEY WOULD BE DISBURSED OVER FIVE-YEAR PERIOD AND WOULD BE DIVIDED BETWEEN BUYVET SUPPORT, PROJECT ASSISTANCE, AND PROJECT INVESTMENT (HABROUSH BELIEVED LAST CATEGORY WOULD BE SMALL PART OF WHOLE). EXACT BREAKDOWN BETWEEN THESE CATEGORIES WOULD AWAIT STUDY OF EGYPT'S DETAILED 5-YEAR PLAN, WHICH EGYPTIAN FINANCE MINISTER SAID WOULD BE READY FOR PRESENTATION TO FUND MEMBERS IN SEPTEMBER.

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3. HABROUSH SAID CONTRIBUTIONS TO FUND HAD IN HIS JUDGMENT BEEN FAIRLY ALLOCATED ACCORDING TO MEMBERS RESOURCES. SAUDI ARABIA WOULD CONTRIBUTE 40 PER CENT; KUWAIT 35 PER CENT; UAE 15 PERCENT; QATAR 10 PER CENT. SPREAD OVER 5-YEAR PERIOD BURDEN IN HABROUSH'S OPINION WOULD BE REASONABLE: IN CASE OF UAE, \$60 MILLION PER YEAR.

4. HABROUSH SAID LEFT TO THEMSELVES EGYPTIANS WOULD OF COURSE TRY TO APPLY AS MUCH OF MONEY AS POSSIBLE TO BUDGET ASSISTANCE. FUND CONTRIBUTORS WOULD HAVE TO KEEP PRESSURE ON TO SEE THAT REASONABLE IF NOT LION'S SHARE OF \$2 BILLION WOULD GO INTO CAPITAL DEVELOPMENT. HABROUSH SAID TTIS ASSISTANCE WOULD NOT BE SOLUTION TO EGYPT'S PROBLEMS, WHICH COULD ONLY BE SOLVED BY DETERMINED ACTION ON PART OF EGYPT'S LEADERS. EGYPT HAD BEEN ON WRONG ECONOMIC PATH FOR 20 YEARS NOW AND WHILE SOLUTION WAS NOT TO GO BACK TO OLD DAYS, SOME VERY STRONG CORRECTIVE ACTION WAS NOW REQUIRED BY GOE IF COUNTRY WAS NOT TO SINK FURTHER ECONOMICALLY. HABROUSH SAID THAT DURING MEET-' 8,& IN SAUDI ARABIA EGYPTIAN MINFIN HAD REPEATEDLY URGED GROUP NOT TO GET TOO CONCERNED ABOUT "DETAILS" OF EGYPT'S DOMESTIC ECONOMIC PROBLEMS WHICH ONLY EGYPTIANS KNEW HOW TO COPE WITH. HABROUSH SAID AS FAR AS HE WAS CONCERNED FUND WOULD HAVE TO GET INTO THESE PROBLEMS, AND WOULD HAVE TO GIVE SOME STRONG ADVISE UNLESS DONOR STATES WERE CONTENT TO SEE THEIR MONEY GO DOWN THE DRAIN.

5. HABROUSH SAID AS REALIST HE COULD NOT HELP BEING GLOOMY ABOUT EGYPT'S LONG-TERM ECONOMIC PROSPECTS, BUT CONSEQUENCES OF EGYPTIAN ECONOMIC COLLAPSE WOULD BE GRAVE FOR ENTIRE MIDDLE EAST, GULF STATES INCLUDED, AND FOR THIS REASON HE SAW SUPPORT OF EGYPT AS POLITICAL NECESSITY. I SAID I AGREED WITH THIS LINE OF THINKING, AND INDEED IT WAS BASIS FOR MY OWN GOVERNMENT'S MASSIVE PROGRAM OF SUPPORT FOR SADAT. I SAID NO DOUBT PRESSURE HAD TO BE KEPT ON EGYPTIANS TO USE ASSISTANCE IN MANNER THAT WOULD LEAD TO REAL ECONOMIC GROWTH BUT PRESSURES SHOULD BE APPLIED WITHOUT LOSING SIGHT OF BROADER POLITICAL INTEREST WHICH WE ALL SHARED IN KEEPING EGYPT AFLOAT.
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